

Internal Revenue Service

P.O. Box 2508

Cincinnati, OH 45201

Department of the TreasuryRelease Number: **201445019**

Release Date: 11/7/2014

Date: August 13, 2014

Employer Identification Number:**Contact person - ID number:****Contact telephone number:****LEGEND:**

H= individual
J = corporation
W= program
X= state
Y= newspaper
Z= corporation
c= number
d= dollar amount
g= dollar amount

UIL:

4945.00-00

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

You will operate a scholarship program called W to provide grants and scholarships to residents of X. W is comprised of two parts.

The first part of the program provides scholarship of d dollars to high school seniors who wish to enter a technical or trade school as well as enrolling in a two-year or four-year institution of higher learning. One senior in each of the counties of X will be selected. The closing date for the annual nomination process is generally established as the end of September of each year and operates on a yearly basis. The purpose of the program is to honor students who are dedicated to their schools and their communities.

The student must also have been nominated through W. A student may nominate himself or herself for a scholarship award, as well as being nominated by a third party.

The criteria used to determine eligibility for these awards are three-fold: First, a student must be a high school senior enrolled in a public or private school or, alternatively, the student may be the equivalent of a senior in a home school setting. Second, the pool of students seeking a scholarship are separated by county in order to ensure that there is one winner from each county in X. Third, a student must have at least a "B" average in order to be eligible to win. Each of the judges on the Selection Committee receives the documentation submitted for a scholarship applicant.

There will be c grants each year of the d dollar awards so long as candidates apply from each of X' counties. It is anticipated that only one award per year will be made to a senior from each X county. In the event, for example, that no student from five different X counties would apply for an award in a given year, then five less awards would be given.

There are no conditions to maintain the d dollar awards because those awards are one-time grants. There is no supervision or monitoring these awards other than to verify that the recipient is a senior in the county that was represented on the nomination form and has the minimum "B" average.

Under part two of the program, you will provide three residents of X with renewable scholarships of up to g dollars per year for up to four years. The purpose of these awards is to help defray the costs of higher education.

You require that an applicant fill out a nomination form (or have a nomination form filled out on the student's behalf) and have two completed narratives in order to be eligible. The first narrative may cover one or more of the following topics: Civic/volunteer involvement, work/entrepreneurship, sports, academic achievement, leadership position held, youth groups/scouts/church involvement, extra-curricular activities/clubs, other awards received, and other special talents/interests. The nominator, or the student (if different), may submit this first narrative. A second narrative must also be submitted. The second narrative must be completed by the student and must answer the following question: "What comes next for me after high school? The students must be working on and maintaining a degree in one of the following majors: (1) Computer Science or Information Technology, (2) Engineering (Petroleum, Civil, or Chemical), (3) Energy or Land Management, (4) Environmental Science, (5) Geology, or (6) Safety Science.

The criteria you use to determine eligibility for the larger awards are that the student must (i) initially submit an application for a scholarship as a senior in accordance with the procedure and with the eligibility criteria described immediately above, and (ii) must be pursuing a degree in one of the six majors indicated above.

The larger scholarships you award will be used to pay for the students expenses of attending an accredited college or university in the United States which maintains a regular faculty and curriculum and is otherwise described in Section 170(b)(1)(A)(ii) of the Code. In order to receive a renewal of one of these larger awards, you require that the student must continue to be enrolled and maintain at least a 3.0 grade point average (a "B" average). A scholarship award must be used for tuition, fees, lodging, books and supplies. Tuition, fees, and books will be paid directly to the college or university. The cost of lodging will also be paid directly to the school where applicable.

You monitor the awarding of the larger scholarships, but you do not select the scholarship recipients. A selection committee sends the contact information of the winners to you. Each winner must provide you with the tuition invoices for the college or university they attend and provide his or her grades to demonstrate that he or she is maintaining at least a "B" average in order for the scholarship to be renewed. The student must also provide a letter from the school indicating that the required major is being pursued. If the terms and conditions of these awards are not satisfied, the scholarship is ended.

You ask the educational institution to acknowledge, in writing, that the scholarship award can be used only for tuition, fees, books or supplies. The written acknowledgement required to be returned to you must be attested to by an appropriate official of the educational institution. Additionally, within one semester of the use of the scholarship funds, all scholarship recipients will be required to account to you and describe the manner in which the grant was expended by the recipient. Upon reviewing the acknowledgements of the educational institutions and the accountings from the scholarship recipients, you will seek recovery of any misused funds in the event there are variances from the intended usage. Any recovered monies will be utilized for future scholarship grants.

Both programs are publicized on your and Y's website and in an announcement in Y. A search on either website will direct you to the pertinent application information. Additionally, each year, information is disseminated about the scholarship programs by Y to every high school guidance counselor in X.

Each year, Y appoints seven judges to determine the scholarship winners. More specifically, the individual judges are appointed by H, who is the President and Chief Executive Officer of Z, which owns Y. When determining which individuals should be appointed as judges, H solicits input from various general managers of Y in each market and discusses with the general managers potential appointees. H also talks to various people in the X Department of Education in an effort to have a broad cross section of judges make the determination of which students should be entitled to a scholarship.

There is no relationship between the judges, your organization, or the students being considered for scholarship. The judges are employees of Section 501(c)(3) organizations representing a broad cross section of industry in X. The seven judges serve as the selection committee, which will determine the scholarship winners. None of the judges has any affiliation or relationship to you, J, or Y.

The judges individually review all of the students before meeting as a committee. The committee discusses each applicant and determines by majority vote the winner from each county as well as the three large scholarships. The winner is based on the applicant's academic performance, service to the community, and letter of recommendation (if any).

Your president maintains the historic records of recipients of scholarships (including the names, addresses, purposes of the awards, amount, manner of selection). None of the scholarship recipients may be related to an officer or director of your organization.

With respect to any award you provide, there are no limitations or restrictions in the selection process based upon race, creed, color, religion, or national heritage.

Children of employees of J are eligible for awards, as well as the children of non-employees. However, your officers, employees and directors may not derive, either directly or indirectly, any personal benefit from grants you award. Accordingly, scholarships shall not be given to an applicant who is a disqualified person with respect to your organization as defined in Section 4946 of the Internal Revenue Code.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations